

Message Text

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ACTION NEA-09

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P 250557Z JUN 74

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 2247

UNCLAS NEW DELHI 8383

E.O. 11652: N/A

TAGS: EIND IN

SUBJECT: MCNALLY PITTSBURG INVESTMENT IN INDIA

1. PLEASE TRANSMIT FOLLOWING MESSAGE TO MCNALLY PITTSBURG,
KANSAS:

BEGIN TEXT

2. PRINCESS KUMARI, PRAN PRASHAD AND COMMERICAL COUNSELOR
DISCUSSED YOUR INVESTMENT DIFFICULTIES AT LENGTH ON JUNE 24. PRAN
PRASHAD HAS AGREED TO ISSUE A 15 PERCENT DIVIDEND -- PROVIDED YOU
CONCUR -- WHICH WOULD RESULT IN YOUR RECEIVING RS.6.9 LAKHS
(DOLS.91,977) AND YOUR INDIAN PARTNERS RS.3.6 LAKHS (DOLS.47,988).
ACCORDING TO PRASHAD, THE ABOVE DISTRIBUTION IS BASED ON YOUR CURRENT
RESPECTIVE EQUITIES OF YOUR RS.46 LAKHS (DOLS.613,180) AND YOUR
INDIAN PARTNERS RS.24 LAKHS (DOLS.319,920).

2. WE ARE UNABLE TO RECONCILE THE PRASHAD FIGURES OF YOUR
EQUITY, I.E. DOLS.613,180 AND HIS DOLS.319,920, TOTAL DOLS.933,100
WITH YOUR FIGURE OF ABOUT DOLS.1,250,000 MENTIONED IN YOUR TELEGRAM
OF APRIL 10, 1974 SENT TO THE AMBASSADOR.

3. IN VIEW OF THE ABOVE, WE INSISTED THAT PRASHAD GET YOUR
PRIOR APPROVAL OF HIS RECOMMENDATION TO ISSUE A 15 PERCENT
DIVIDEND WHICH HE FEELS WILL TAKE CARE OF THE EROSION OF YOUR
EQUITY IN MONEY TERMS. IF FACTS ARE AS PRESENTED BY PRASHAD THIS
WILL BE AN EQUITABLE SOLUTION TO YOUR PROBLEM AND WILL
ALSO MEET GOI REQUIREMENT TO REDUCE YOUR EQUITY WITH ISSUE OF
SHARES RS.50 LAKHS AT PAR.

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4. IF PRASHAD'S RECOMMENDATIONS MEET WITH YOUR APPROVAL, THEN THE PROCEDURE UNDER THE FOREIGN REGULATIONS ACT TO REDUCE YOUR EQUITY BELOW 40 PERCENT WILL NO LONGER BE REQUIRED.

5. PRASHAD WAS TO HAVE SENT YOU A TELEX ON JUNE 24 WHICH WE BELIEVE WILL READ AS FOLLOWS: QUOTE: RETEL RENNICK CABLE 17TH PRINCESS COPIED. DUA HAVE TODAY HAD A DISCUSSION WITH MR. DUNCAN-PETERS US EMBASSY AND PRINCESS CONCERNING COURSE OF ACTION. MY PROPOSAL IS THAT THE BEST COURSE WOULD BE AN INTERIM DIVIDEND OF FIFTEEN CENTUM TO BE FOLLOWED BY A PUBLIC ISSUE OF RS.50 LAKHS AT PAR. THIS ADDITIONAL DIVIDEND WILL AMOST EQUAL THE PROPORTIONATE LOSS OF THE RS.25 LAKHS BONUS TO THE PARTNERS WHILE THE PUBLIC ISSUE WILL CONFORM TO WHAT GOVIND WOULD WISH DONE. UNLESS WE THINK UP ANY NEW BRIGHT IDEAS, THIS IS WHAT I THINK WE SHOULD DO. PLEASE CONCUR DIRECTLY TO US EMBASSY AND PRINCESS. REGARDS. PRAN PRASHAD. END QTE.

6. IF YOU CONCUR IN THE ABOVE, THE VARIOUS ALTERNATIVES SUGGESTED IN YOUR TELEGAM OF JUNE 18 TO PRINCESS KUMARI MAY BECOME REDUNDANT IN ACTUAL MONETARY TERMS. THIS TELEGRAM IS BEING SENT WITH THE FULL KNOWLEDGE AND CONCURRENCE OF PRINCESS KUMARI. STEPHEN DUNCAN-PETERS, COMMERICAL COUNSELOR, AMERICAN EMBASSY, NEW DELHI. END TEXT.SCHNEIDER

NOTE BY OC/T: NOT PASSED ABOVE ADDRESSEE.

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